



*Testimony
of the President and CEO of
Popular, Inc. and Banco Popular de Puerto Rico
before the House Finance Services Committee
June 20, 2001*

Thank you Madam Chairperson.

My name is Richard L. Carrión
and I am the President and CEO of Popular, Inc. and
Banco Popular de Puerto Rico.

Banco Popular de Puerto Rico was founded
on October 5, 1893.

With assets totaling **\$28 billion**,
it is the oldest and largest financial institution
on the island.

It is also the **35th** largest bank of the United States
and ranks **8th** in Latin America.

The Bank has **200** branches in Puerto Rico, **100** in the
continental United States, as well as in the US and British
Virgin Islands.

The Corporation operates several subsidiaries, including
Popular Mortgage, Popular Securities and Popular
Leasing in Puerto Rico. Meanwhile, we have presence in
over **30** US States with Equity One, Popular Cash
Express, Banco Popular National Association and Banco

Popular North America, the largest Hispanic bank of the mainland.

Throughout its history Banco Popular has embraced several institutional values upon which we have based our business objectives generation after generation.

Two of those values are innovation and social responsibility.

We are particularly proud of our initiatives to convert the so-called “unbanked” segment of the population in Puerto Rico, as well as in the continental United States.

In the **1950**’s Banco Popular put in place an outreach program serving isolated communities with mobile units, a fleet of buses that then operated as bank branches throughout the island.

We introduced FHA loans in Puerto Rico and we are still one of the top **10** SBA lenders in the continental USA.

Two months ago we launched a new product: “*Acceso Popular*” and a new outreach program: “*El Banco en la Comunidad*” or *The Bank in the Community*, also directed to convert the unbanked.

Moreover, since its inception, Banco Popular de Puerto Rico has ranked first in the entire nation as the Bank with the largest number of Electronic Transfer Accounts “ETAs”. (**4,349** - May 2001)

Likewise, Banco Popular North America ranks fourth, after Banco Popular de Puerto Rico, Firststar Bank-Milwaukee and Wells Fargo & Co.-San Francisco.

Another Popular, Inc. subsidiary, GM Group, is in charge of processing electronic payments of the USDA Nutrition Assistance Program to over **450,000** beneficiaries in Puerto Rico.

Individual benefits are electronically accessed through our network of **624** ATMs on the island; a network we own and put in place in **1983**.

Several years later we also introduced the Point of Sale (POS) technology and we currently own over **40,500** terminals. Both initiatives have been responsible for a dramatic transformation of consumer behavior in Puerto Rico.

In the year **2000** our ATMs and POS terminals processed **184.9** million electronic transactions. Our clients averaged **11** transactions a month at POS terminals and **9.6** at our ATM network... a user pattern that doubles the US average.

In total, our clients conduct **76%** of all their transactions electronically, which represents the highest usage of electronic banking in the entire United States.

In Puerto Rico, Banco Popular owns and operates the local ATM and POS switching networks. This allows us to provide free and unlimited access to the ATM and POS networks since the marginal cost of processing these additional transactions is extremely low. I believe this has been one of the principal reasons for the success we've had with the ETA and other similar products in Puerto Rico.

If the US Federal Government and the US Congress are committed to the expansion of **ETAs**, and **EFTs**, there are two areas on which it should focus:

1. Access to the national ATM networks – some mechanism must be found to enable a lower cost of access to the ATM network for these account holders. While I instinctively recoil from mandated subsidies or

additional regulations, I think that a voluntary agreement can be reached with these networks. The marginal cost of processing these additional transactions is small and it is in their long-term interest to promote a shift towards electronic transactions.

2. The Check-cashing or Money Exchange Industry –
There are currently over 10,000 check-cashing locations in the United States. They are the primary providers of basic financial services to the unbanked, mostly check-cashing, money transmission and bill payment. I would urge this committee to include them in your discussions. For the record, I will mention that our subsidiary, Popular Cash Express, currently operates 87 check-cashing locations in the US.

It is imperative that we recruit support of these institutions in promoting electronic transactions among their clients and reevaluate both BSA and Anti-Money Laundering regulations that currently curtail this industry's possibilities of growth and of servicing the unbanked population.

Madam Chairperson, as telecommunications redefine the banking industry, we need to move forward in providing equal access to the new technology.

Thank you Madam Chairperson.